DISCLOSURES UNDER BASEL III CAPITAL REGULATIONS (CONSOLIDATED)
FOR THE QUARTER ENDED 31st DECEMBER 2019

I. CAPITAL ADEQUACY

The Bank is subject to the capital adequacy guidelines stipulated by RBI, which are based on the framework of the Basel Committee on Banking Supervision. As per Basel III guidelines, the Bank is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% {11.5% including Capital Conservation Buffer (CCB)}, with minimum Common Equity Tier I (CET1) of 5.5% (8% including CCB) as on 31st March 2020. These guidelines on Basel III have been implemented on 1st April 2013 in a phased manner. The minimum capital required to be maintained by the Bank for the quarter ended 31st December 2019 is 10.875% with minimum Common Equity Tier 1 (CET1) of 7.375% (including CCB of 1.875%)

An assessment of the capital requirement of the Bank is carried out through a comprehensive projection of future businesses that takes cognizance of the strategic intent of the Bank, profitability of particular businesses and opportunities for growth. The proper mapping of credit, operational and market risks to this projected business growth enables assignment of capital that not only adequately covers the minimum regulatory capital requirement but also provides headroom for growth. The calibration of risk to business is enabled by a strong risk culture in the Bank aided by appropriate, technology-based risk management systems. As part of the Internal Capital Adequacy Assessment Process (ICAAP), the Bank also assesses the adequacy of capital under stress. A summary of the Bank's capital requirement for credit, market and operational risk and the capital adequacy ratio as on 31st December 2019 is presented below:

(₹ in millions)

Capital Requirements for various Risks	Amount
CREDIT RISK	
Capital requirements for Credit Risk	
- Portfolios subject to standardized approach	456,641
- Securitisation exposures	
MARKET RISK	
Capital requirements for Market Risk	
- Standardised duration approach	25,689
- Interest rate risk	19,076
- Foreign exchange risk (including gold)	1,118
- Equity risk	5,495
OPERATIONAL RISK	
Capital requirements for Operational risk	
- Basic indicator approach	52,775

Note:- Capital requirement has been computed at 9% of RWA

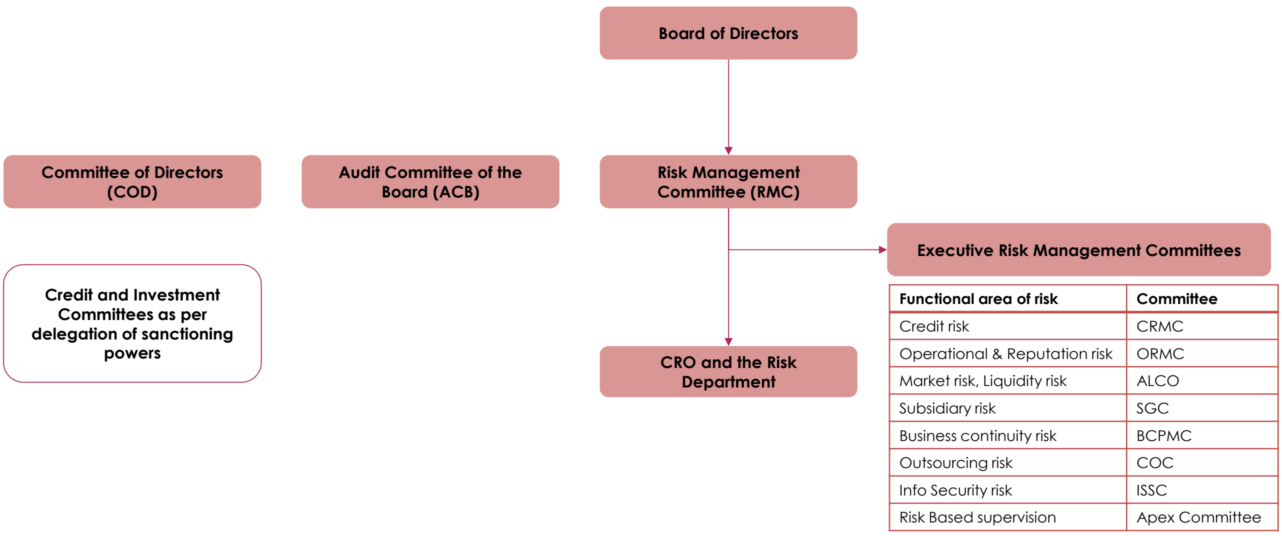
Capital Adequacy Ratios	Consolidated	Standalone
Common Equity Tier – 1 CRAR	13.91%	13.81%
Tier – 1 CRAR	15.09%	15.02%
Total CRAR	18.19%	18.20%

II. RISK MANAGEMENT: OBJECTIVES AND ORGANISATION STRUCTURE

The wide variety of businesses undertaken by the Bank requires it to identify, measure, control, monitor and report risks effectively. The key components of the Bank's risk management rely on the risk governance architecture, comprehensive processes and internal control mechanism based on approved policies and guidelines. The Bank's risk governance architecture focuses on the key areas of risk such as credit, market (including liquidity) and operational risk and quantification of these risks, wherever possible, for effective and continuous monitoring and control.

Objectives and Policies

The Bank's risk management processes are guided by well-defined policies appropriate for various risk categories, independent risk oversight and periodic monitoring through the sub-committees of the Board of Directors. The Board sets the overall risk appetite and philosophy for the Bank. The Committee of Directors, the Risk Management Committee and the Audit Committee of the Board, which are sub-committees of the Board, review various aspects of risk arising from the businesses of the Bank. Various senior management committees operate within the broad policy framework as illustrated below:



Functional area of risk	Committee
Credit risk	CRMC
Operational & Reputation risk	ORMC
Market risk, Liquidity risk	ALCO
Subsidiary risk	SGC
Business continuity risk	BCPMC
Outsourcing risk	COC
Info Security risk	ISSC
Risk Based supervision	Apex Committee

The Bank has put in place policies relating to management of various kinds of risk (eg: credit risk, market risk, operational risk, information security risk, subsidiary risk and asset-liability) for the domestic as well as overseas operations along with overseas subsidiaries as per the respective host regulatory requirements and business needs. The overseas policies are drawn based on the risk perceptions of these economies and the Bank's risk appetite.

Structure and Organisation

The Chief Risk Officer reports to the Managing Director and CEO. The Risk Management Committee of the Board oversees the functioning of the Department. The Department has separate teams for individual components of risk i.e. Credit Risk, Market Risk (including Treasury Mid Office), Operational Risk, Enterprise Risk, Risk Analytics, Risk Data Management and Information Security Risk. These teams report to the Chief Risk Officer.

III. CREDIT RISK

Credit risk refers to the deterioration in the credit quality of the borrower or the counter-party adversely impacting the financial performance of the Bank. The losses incurred by the Bank in a credit transaction could be due to inability or wilful default of the borrower in honouring the financial commitments to the Bank. The Bank is exposed to credit risk through lending and capital market activities.

Credit Risk Management Policy

The Board of Directors establishes parameters for risk appetite which are defined through strategic businesses plan as well as the Corporate Credit Policy. Credit Risk Management Policy lays down the roles and responsibilities, risk appetite, key processes and reporting framework. Corporate credit is managed through rating of borrowers and the transaction, thorough due diligence through an appraisal process alongside risk vetting of individual exposures at origination and thorough periodic review (including portfolio review) after sanctioning. Retail credit to individuals and small business is managed through definition of product criteria, appropriate credit filters and subsequent portfolio monitoring.

Credit Rating System

The foundation of credit risk management rests on the internal rating system. Rating linked single borrower exposure norms, delegation of powers and review frequency have been adopted by the Bank. The Bank has developed rating tools specific to market segments such as large and mid-corporates, SME, financial companies, microfinance companies and project finance to objectively assess underlying risk associated with such exposures.

The credit rating model uses a combination of quantitative and qualitative inputs to arrive at a 'point-in-time' view of the risk profile of counterparty. Each internal rating grade corresponds to a distinct probability of default over one year. Expert scorecards are used for various SME schematic products and retail agriculture schemes. Statistical application and behavioural scorecards have been developed for all major retail portfolios.

The Bank recognises cash, central/state government, bank and corporate guarantees, exclusive mortgage of properties and lease rental securitisation for the purpose of credit enhancement to arrive at a facility rating.

Model validation is carried out annually by objectively assessing the discriminatory power, calibration accuracy and stability of ratings. The Bank has completed the estimation and validation of PD, LGD and CCF models for corporate and retail portfolios.

Credit Sanction and Related Processes

The guiding principles behind the credit sanction process are as under:

- 'Know Your Customer' is a leading principle for all activities.
- The acceptability of credit exposure is primarily based on the sustainability and adequacy of borrower's normal business operations and not based solely on the availability of security.

The Bank has put in place a hierarchical committee structure based on the size and rating of the exposures for credit sanction and review; with sanctioning authority rested with higher level committees for larger and lesser rated exposures. Committee of Directors (COD) is the topmost committee in the hierarchy which is a sub-committee of the Board.

Review and Monitoring

- All credit exposures, once approved, are monitored and reviewed periodically against the approved limits. Borrowers with lower credit rating are subject to more frequent reviews.
- Credit audit involves independent review of credit risk assessment, compliance with internal policies of the Bank and with the regulatory framework, compliance of sanction terms and conditions and effectiveness of loan administration.
- Customers with emerging credit problems are identified early and classified accordingly. Remedial action is initiated promptly to minimize the potential loss to the Bank.

Concentration Risk

The Bank manages concentration risk by means of appropriate structural limits and borrower-wise limits based on credit-worthiness. Credit concentration in the Bank's portfolios is monitored for the following:

- Large exposures to the individual clients or group: The Bank has individual borrower-wise exposure ceilings based on the internal rating of the borrower as well as group-wise borrowing limits which are continuously tracked and monitored.
- Concentration by Industry: Industry analysis plays an important part in assessing the concentration risk within the loan portfolio. Industries are classified into various categories based on factors such as demand-supply, input related risks, government policy stance towards the sector and financial strength of the sector in general. Such categorization is used in determining the expansion strategy for the particular industry.

Portfolio Management

Portfolio level risk analytics and reporting to senior management examines optimal spread of risk across various rating classes, undue risk concentration across any particular industry segments and delinquencies. Borrowers or portfolios are marked for early warning when signs of weakness or financial deterioration are envisaged in order that timely remedial actions may be initiated. In-depth sector specific studies are undertaken on portfolios vulnerable to extraneous shocks and the results are shared with the business departments. The Bank has a well-defined stress testing policy in place and periodic stress testing is undertaken on various portfolios to gauge the impact of stress situations on the health of portfolio, profitability and capital adequacy.

Retail lending portfolio is the blended mix of Consumer Lending and Retail Rural Lending Portfolios. Secured products (like mortgage, wheels business) commands a major share of the Consumer Lending Portfolio, as the Bank continues to grow the unsecured lending book (personal loans and credit card business) albeit with prudent underwriting practice. The Bank has developed a robust risk management framework at each stage of retail loan cycle i.e. loan acquisition, underwriting and collections.

Underwriting strategy relies on extensive usage of analytical scoring models which also takes inputs from bureau. The Bank uses 'Rules Engine' which helps customise business rules thereby aiding in faster decision making without compromising on the underlying risks. Senior Management takes note of movement and direction of risk reported through information published on structured dashboards.

Definitions and Classification of Non-Performing Assets

Advances are classified into performing and non-performing asset (NPAs) as per RBI guidelines.

A non-performing asset (NPA) is a loan or an advance where;

- Interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan,
- The account remains 'out-of-order' for a period of more than 90 days in respect of an Overdraft or Cash Credit (OD/CC),
- The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted,
- A loan granted for short duration crops will be treated as an NPA if the installments of principal or interest thereon remain overdue for two crop seasons,
- A loan granted for long duration crops will be treated as an NPA if the installments of principal or interest thereon remain overdue for one crop season,
- In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.
- The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006.
- In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.
- In addition, an account may also be classified as NPA due to temporary deficiencies
    a. The outstanding in the account based on drawing power calculated from stock statements older than three months, would be deemed as irregular. A working capital borrowal account will become NPA if such irregular drawings are permitted in the account for a continuous period of 90 days even though the unit may be working or the borrower's financial position is satisfactory.
    b. An account where the regular/ ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date/ date of ad hoc sanction will be treated as NPA.
- Further, the account may also be classified as NPA due to DCCO criteria as per para 4.2.15 Projects under implementation of Master circular on IRAC dated July 01, 2015.

NPAs are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. A sub-standard asset is one, which has remained a NPA for a period less than or equal to 12 months. An asset is classified as doubtful if it has remained in the sub-standard category for a period of 12 months. A loss asset is one where loss has been identified by the Bank or internal or external auditors or during RBI inspection but the amount has not been written off fully.

Impairment of other assets

At each balance sheet date, the Bank ascertains if there is any impairment in its assets. If such impairment is detected, the Bank estimates the recoverable amount of the asset. If the recoverable amount of the asset or the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account.

AXIS BANK

CREDIT RISK EXPOSURES

Total Gross Credit Risk Exposure Including Geographic Distribution of Exposure – Position as on 31st December 2019

(₹ in millions)

	Domestic (Outstanding)	Overseas (Outstanding)	Total
Fund Based	7,546,043	526,456	8,072,499
Non Fund Based *	1,097,583	19,492	1,117,075
Total	**8,643,626**	**545,948**	**9,189,574**

* Non-fund based exposures are bank guarantees issued on behalf of constituents and acceptances and endorsements and other items for which the Bank is contingently liable.

Distribution of Credit Risk Exposure by Industry Sector – Position as on 31st December 2019

(₹ in millions)

Industry Classification	Amount	
	Fund Based (Outstanding)	Non-Fund Based (Outstanding)
Banking and Finance	804,892	114,445
-of which Housing Finance Companies	155,880	3
Infrastructure (excluding Power)	360,071	165,531
-of which Roads, ports & airports	94,191	28,205
-of which Telecommunications	180,064	48,333
Chemicals and Chemical products	211,468	95,572
-of which Petro Chemicals	30,083	36,164
-of which Drugs and Pharmaceuticals	70,493	13,724
Engineering	104,924	227,491
Trade	233,644	46,026
NBFCs	189,737	9,316
Commercial Real Estate	178,399	13,086
Power Generation & Distribution	162,023	27,371
Iron and Steel	117,032	41,911
Petroleum, Coal Products and Nuclear Fuels	62,492	79,522
Food Processing	117,236	7,140
Other metal and metal products	104,656	18,961
Textiles	94,689	9,247
Cement and Cement Products	76,554	18,305
Construction	26,607	43,629
Professional Services	63,523	3,290
Vehicles, Vehicle Parts and Transport Equipment	52,863	10,245
Entertainment & Media	53,389	7,469
Shipping Transportation & Logistics	47,210	6,130
Rubber, Plastic and their Products	43,279	7,909
Computer Software	29,143	17,132
Mining and Quarrying (incl. Coal)	33,084	5,214
Edibile oils and Vanaspati	10,423	20,865
Other Industries	268,516	49,420
Residual Exposures	4,626,645	71,848

(₹ in millions)

Industry Classification	Amount	
	Fund Based (Outstanding)	Non-Fund Based (Outstanding)
-of which Other Assets	336,931	42,141
-of which Banking Book Investments	1,114,673	-
-of which Retail, Agriculture & Others*	3,175,041	29,707
Total	**8,072,499**	**1,117,075**

* includes Cash and Balances with RBI

As on 31st December 2019, the Bank's exposure to the industries stated below was more than 5% of the total gross credit exposure (outstanding):

Sr. No.	Industry Classification	Percentage of the total gross credit exposure
1.	Banking & Finance	10%
2.	Infrastructure (Excluding Power)	6%

Residual Contractual Maturity Breakdown of Assets – Position as on 31st December 2019[1]

(₹ in millions)

Maturity Bucket	Cash	Balances with RBI	Balances with other banks[2]	Investments	Advances	Fixed Assets	Other assets
1day	70,044	8,310	30,366	2,79,797	40,507	-	1,724
2 to 7 days	-	7,848	22,415	41,231	81,953	-	13,219
8 to 14 days	-	8,111	125	34,340	60,650	-	16,578
15 to 30 days	-	5,656	7,000	29,713	96,491	-	29,814
31 days to 2 months	-	7,058	18,020	52,673	1,60,204	-	23,647
Over 2 months and upto3 months	-	3,402	6,172	48,937	2,04,008	-	19,064
Over 3 months and upto 6 months	-	3,261	2,120	70,390	2,69,016	-	25,510
Over 6 months and upto 12 months	-	5,993	18,539	1,03,976	4,26,201	-	1,04,274
Over 1 year and upto 3 years	-	8,210	955	1,36,225	11,47,962	106	1,54,075
Over 3 years and upto 5 years	-	45	-	87,977	6,43,449	-	75,399
Over 5 years	-	1,91,657	-	6,85,976	24,95,660	42,991	2,19,754
Total	**70,044**	**249,551**	**105,712**	**1,571,235**	**5,626,101**	**43,097**	**683,058**

1. Intra-group adjustments are excluded
2. Including money at call and short notice

Movement of NPAs (including NPIs) – Position as on 31st December 2019

(₹ in millions)

	Particulars	Amount
A.	**Amount of NPAs (Gross)**	**302,741**
	- Substandard	82,072
	- Doubtful 1	59,467
	- Doubtful 2	104,790
	- Doubtful 3	3,290
	- Loss	53,122
B.	**Net NPAs#**	**123,416**
C.	**NPA Ratios**	
	- Gross NPAs (including NPIs) to gross advances (%)	5.24%
	- Net NPAs (including NPIs) to net advances (%)	2.20%
D.	**Movement of NPAs (Gross)**	
	- Opening balance as on 1st April 2019	298,282
	- Additions	161,580
	- Reductions	(157,121)
	- Closing balance as on 31st December 2019	302,741

Net of balance outstanding in interest capitalization-restructured NPA accounts

Movement of Specific & General Provision – Position as on 31st December 2019

(₹ in millions)

Movement of Provisions	Specific Provisions	General Provisions
- Opening balance as on 1st April 2019	183,772	33,998
- Provision made in 2019-20[1][2]	82,940	-
- Write-offs/Write-back of excess provision	(88,111)	(759)
- Closing balance as on 31st December 2019	**178,601**	**33,239**

1. Includes impact of specific provision of ₹ 872 million on account of exchange rate fluctuation
2. Includes impact in exchange rate fluctuation of ₹ 110 million in general provisions

Details of write-offs and recoveries that have been booked directly to the income statement – for the period ending 31st December 2019

(₹ in millions)

Write-offs that have been booked directly to the income statement	3,991
Recoveries that have been booked directly to the income statement	8,990

NPIs and Movement of Provision for Depreciation on Investments – Position as on 31st December 2019

(₹ in millions)

		Amount
A.	Amount of Non-Performing Investments	37,985
B.	Amount of Provision held for Non-performing investments	24,872
C.	Movement of provision for depreciation on investments	
	- Opening balance as on 1st April 2019	5,603
	- Provision made in 2019-20	1,369
	- Write-offs/Write-back of excess provision	(1,030)
	- Closing balance as on 31st December 2019	5,942

Breakup of NPA by major industries* – Position as on 31st December 2019

(₹ in millions)

	Amount	
Particulars	**Gross NPA**	**Specific Provision#**
Infrastructure (excluding Power)	41,321	29,504
Power Generation & Distribution	41,075	26,768
Engineering	18,939	10,295
Commercial Real Estate	17,103	5,807
Trade	15,071	7,294
Chemicals and Chemical products	12,613	4,699
Banking and Finance	10,676	5,687
Iron and Steel	9,468	9,127
Petroleum coal products and Nuclear fuels	7,798	2,008
Food Processing	7,397	4,589
Retail, Agri & Other Industries	1,21,280	72,823
Total	**3,02,741**	**1,78,601**

* Based on top 10 industry wise gross credit exposure

Specific provisions include NPA and restructured provisions

General provision in Top 5 industries amounts to ₹ 9,682 million.

Major industries breakup of specific provision and write-off's for the period ending 31st December 2019

(₹ in millions)

Industry	**Provision**	**Write-offs**
Specific Provision in Top 5 industries	26,898	45,816

Geography wise Distribution of NPA and Provision – Position as on 31st December 2019

(₹ in millions)

Geography	**Gross NPA**	**Specific Provision**	**General Provision**
Domestic	262,534	150,846	30,002
Overseas	40,207	27,755	3,237
Total	**302,741**	**178,601**	**33,239**

Credit Risk: Use of Rating Agency under the Standardised Approach

The RBI guidelines on capital adequacy require banks to use ratings assigned by specified External Credit Assessment Agencies (ECAIs) namely Brickworks, CARE, CRISIL, ICRA, India Ratings, Acuite Ratings and Infomerics for domestic counterparties and Standard & Poor's, Moody's and Fitch for foreign counterparties.

The Bank is using issuer ratings and short-term and long-term instrument/bank facilities' ratings which are assigned by the accredited rating agencies viz. Brickworks, CARE, CRISIL, ICRA, India Ratings, Acuite Ratings and Infomerics published in the public domain to assign risk-weights in terms of RBI guidelines. In respect of claims on non-resident corporates and foreign banks, ratings assigned by international rating agencies i.e. Standard & Poor's, Moody's and Fitch is used. For exposures with contractual maturity of less than one year, a short-term rating is used. For cash credit facilities and exposures with contractual maturity of more than one year, long-term rating is used.
Issue rating is used if the Bank has an exposure in the rated issue and this would include fund-based and non-fund based working capital facilities as well as loans and investments. In case the Bank does not have exposure in a rated issue, the Bank uses the issue rating for its comparable unrated exposures to the same borrower, provided that the Bank's exposures are pari-passu or senior and of similar or lesser maturity as compared to the rated issue.

Structured Obligation (SO) ratings are used where the Bank has a direct exposure in the 'SO' rated issue. If an issuer has a long-term or short-term exposure with an external rating that warrants a risk weight of 150%, all unrated claims on the same counterparty, whether short-term or long-term, also receive 150% risk weight, unless the Bank uses recognised credit risk mitigation techniques for such claims.

Issuer ratings provide an opinion on the general credit worthiness of the rated entities in relation to their senior unsecured obligations. Therefore, issuer ratings are directly used to assign risk-weight to all unrated exposures of the same borrower.

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk-Weight – Position as on 31st December 2019

(₹ in millions)

Particulars	**Amount**
Below 100% risk weight	6,283,080
100% risk weight	2,010,936
More than 100% risk weight	892,666
Deduction from capital funds	2,892

IV. LEVERAGE RATIO

The leverage ratio has been calculated using the definitions of capital and total exposure. The Bank's leverage ratio, calculated in accordance with the RBI guidelines under consolidated framework is as follows:

(₹ in millions)

Particulars	**Amount**
Tier 1 capital	897,275
Exposure Measure	9,598,185
Leverage Ratio	9.35%